The Proposed Anti-Counterfeiting Trade Agreement: Background and Key Issues

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Summary

The proposed Anti-Counterfeiting Trade Agreement (ACTA) is a new agreement for combating intellectual property rights (IPR) infringement. The ACTA negotiation concluded in October 2010, nearly three years after it began, and negotiating parties released a final text of the agreement in May 2011. Negotiated by the United States, Australia, Canada, the European Union and its 27 member states, Japan, South Korea, Mexico, Morocco, New Zealand, Singapore, and Switzerland, the ACTA is intended to build on the IPR protection and enforcement obligations set forth in the 1995 World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). It also is intended to address emerging IPR issues believed to be not addressed adequately in the TRIPS Agreement, such as IPR infringement in the digital environment. The ACTA, which was negotiated outside of the WTO, focuses primarily on trademark and copyright enforcement. It establishes a legal framework for IPR enforcement, which contains provisions on civil enforcement, border measures, criminal enforcement in cases of willful trademark counterfeiting or copyright piracy on a commercial scale, and enforcement in the digital environment for infringement of copyrights or related rights. It also provides for enhanced enforcement best practices and increased international cooperation.

The ratification ("formal approval") of the ACTA is in a state of uncertainty, despite the fact that most negotiating parties (Australia, Canada, the EU and 22 of its member states, Japan, South Korea, Mexico, Morocco, New Zealand, Singapore, and the United States) have signed the proposed agreement. Following months of controversy over the ACTA in the EU, on July 4, 2012, the European Parliament voted against the ACTA, meaning that neither the EU nor its individual member states can join the agreement in its current form. The ACTA would enter into force after the sixth instrument of ratification, acceptance, or approval is deposited by ACTA negotiating parties. No party has submitted a formal instrument of approval to date.

The Bush Administration began, and the Obama Administration continued, negotiation of the ACTA as an executive agreement, meaning that the ACTA would not be subject to congressional approval, unless it were to require statutory changes to U.S. law. The U.S. Trade Representative maintains that the ACTA is consistent with existing U.S. law and does not require the enactment of implementing legislation. Congress could play an oversight role in the implementation of the agreement. Some Members and other groups have debated whether implementation of the ACTA without congressional approval would raise constitutionality issues.

The U.S. government has made the enforcement of IPR a top priority in its trade policy, due to the importance of IPR to the U.S. economy and the potentially negative commercial, health and safety, and security consequences associated with counterfeiting and piracy. Policymakers face a challenge of finding an appropriate balance between protecting private rights and promoting broader economic and social welfare. The ACTA negotiation has spurred various policy debates. While governments involved in the negotiation and IPR-based industries have voiced strong support for the ACTA, other groups have expressed concern about the ACTA's potential impact on trade in legitimate goods, consumer privacy, the free flow of information, and public health. There also have been concerns about the negotiation's scope, transparency, and inclusiveness. Some have questioned the rationale behind creating a new IPR agreement and have advocated, instead, for better enforcement of existing agreements, such as the WTO TRIPS Agreement.

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Recent Developments

- Negotiating parties of the proposed Anti-Counterfeiting Trade Agreement (ACTA) have from May 1, 2011, until May 1, 2013, to sign the agreement. Subsequently, the ACTA would enter into force after the sixth instrument of ratification, acceptance, or approval ("formal approval") is deposited by the ACTA participants.[1] Participants to the ACTA negotiation are submitting the treaty to their respective domestic authorities to undertake relevant domestic processes for ratification, acceptance, or approval. To date, no negotiating party, including the United States, has submitted a formal instrument of approval.[2]
- On July 11, 2012, Mexico signed the ACTA.[3] The ACTA requires ratification in the Mexican Congress.[4]
- On July 4, 2012, the European Parliament voted against the ACTA, meaning that neither the EU nor its individual member states can join the agreement in its current form.[5]
- Amid widespread protests by advocates of Internet free speech, several EU member states decided in early 2012 to suspend or not initiate their domestic adoption of the ACTA, including Bulgaria, the Czech Republic, Germany, Latvia, Poland, and Slovakia.[6] On February 22, 2012, the European Commission placed the ACTA ratification process on hold and submitted the agreement to the European Court of Justice to determine if the ACTA is compatible with EU law.[7]
- On January 25, 2012, the European Union and 22 EU member states signed the ACTA.[8] At that time, five EU member states (Cyprus, Germany, Estonia, the Netherlands, and Slovakia) did not sign the agreement, reportedly due to procedural issues.
- On October 1, 2011, the governments of Australia, Canada, Japan, Korea, Morocco, New Zealand, Singapore, and the United States signed the ACTA. At that time, representatives from the European Union, Mexico, and Switzerland "confirmed their continuing support for and preparations to sign the Agreement

[1] Office of the U.S. Trade Representative (USTR), *Anti-Counterfeiting Trade Agreement (ACTA)* webpage, http://www.ustr.gov/acta.

[2] Telephone conversation with USTR official, January 19, 2012.

[3] Instituto Mexicano de la Propiedad Industrial (IMPI), "Mexico Signs the Anti-Counterfeiting Trade Agreement (ACTA)," press release, July 11, 2012.

[4] Stephanie McDonald, "Mexico Signs ACTA," *Computerworld*, July 13, 2012.

[5] "European Parliament Rejects ACTA," *European Parliament/News*, July 4, 2012.

[6] EU Observer, "Poland Suspends Ratification of ACTA Bill," *EU Observer*, February 6, 2012. Nikolaj Nielsen, "Czech Republic Stops Ratification of Anti-Counterfeit Treaty," *EU Observer*, February 7, 2012."German Government Suspends ACTA Ratification," *EU Observer*, February 10, 2011. David Meyer, "ACTA to be Examined by Top EU Court," *ZDNet UK*, February 22, 2010.

[7] "European Commission Puts ACTA Ratification on Hold; Requests EU High Court Review," *BNA Bloomberg Patent, Trademark & Copyright Law Daily*, February 23, 2012.

[8] Japan Ministry of Economy, Trade and Industry, "EU and EU Member States sign the Anti-Counterfeiting Trade Agreement (ACTA)," press release, January 26, 2012, http://www.meti.go.jp/english/press/2012/0126_01.html.

as soon as practicable." In addition, all participants affirmed their goal "to work cooperatively to achieve the Agreement's prompt entry into force, and to actively support its goals."[9]

- In May 2011, ACTA negotiating parties publicly released a final version of the agreement text.[10]
- In October 2010, the 11th and final round of negotiation for the ACTA concluded, nearly three years after the negotiation began.[11]

Overview of the ACTA

The proposed Anti-Counterfeiting Trade Agreement (ACTA) is a new agreement for combating intellectual property rights (IPR) infringement.[12] Negotiated by the United States, Australia, Canada, the European Union and its 27 member states, Japan, South Korea, Mexico, Morocco, New Zealand, Singapore, and Switzerland, the ACTA is intended to build on the standards of IPR protection and enforcement set forth in the 1995 World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) and to address emerging IPR issues believed to be not addressed adequately in the TRIPS Agreement, such as IPR infringement in the digital environment.

The ACTA, which was negotiated outside of the WTO, focuses primarily on enforcement of trademarks and copyrights; enforcement of patents generally is outside of the agreement's scope. The ACTA establishes a legal framework for IPR enforcement, which contains provisions on civil enforcement, border measures, criminal enforcement in cases of willful trademark counterfeiting or copyright piracy on a commercial scale, and enforcement for the infringement of copyrights or related rights over digital networks. It also provides for enhanced enforcement best practices and increased international cooperation.[13]

The ACTA negotiation concluded in October 2010, nearly three years after it began. Countries have from May 1, 2011, until May 1, 2013, to sign the agreement. All negotiating parties, except Mexico and Switzerland, have signed the agreement. ACTA signatories are to proceed with domestic ratification procedures.[14] The ACTA would enter into force after the sixth instrument of

[9] USTR, "Joint Press Statement of the Anti-Counterfeiting Trade Agreement Negotiating Parties ," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/joint-press-statement-anti-counterfeiting-trade-ag.

[10] The final text of the ACTA is available at: http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf.

[11] USTR, "USTR Releases Statement of ACTA Negotiating Partners on Recent ACTA Negotiations," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2010/october/ustr-releases-statement-acta-negotiating-partners.

[12] IPR are legal rights granted by governments to encourage innovation and creative output. They ensure that creators reap the benefits of their inventions or works and may take the form of patents, trade secrets, copyrights, trademarks, or geographical indications. Through IPR, governments grant a temporary legal monopoly to innovators by giving them the right to limit or control the use of their creations by others. IPR may be traded or licensed to others, usually in return for fees and or royalty payments.

[13] The final text of the ACTA is available at: http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf.

[14] Japan Ministry of Economy, Trade and Industry, "EU and EU Member States sign the Anti-Counterfeiting Trade Agreement (ACTA)," press release, January 26, 2012, http://www.meti.go.jp/english/press/2012/0126_01.html.

ratification, acceptance, or approval ("formal approval") is deposited. No negotiating party has submitted a formal instrument of approval to date.

Evolution of ACTA Negotiations

The idea of negotiating the ACTA was conceived in 2006 by the United States and Japan as a new tool for combating counterfeiting and piracy.[15] During 2006 and 2007, a group of interested parties—Canada, the European Union, Japan, Switzerland, and the United States—held preliminary talks about the proposed ACTA. In October 2007, this group of participants, perceived as "like-minded" by the Office of the U.S. Trade Representative (USTR), announced their intention to begin negotiating this new agreement. By the time that formal negotiations were launched in June 2008, the number of parties involved in the ACTA negotiation had grown to also include Australia, Canada, South Korea, Mexico, Morocco, New Zealand, and Singapore.[16] At that time, the United States sought to conclude the agreement by the end of that year.[17] However, participants to the ACTA held 11 rounds of negotiation, discussing various aspects of the agreement (see **Table 1**). The final round was held in Japan in October 2010, during which ACTA participants resolved nearly all substantive issues, and produced a consolidated and largely finalized text of the proposed agreement, which was to be submitted "ad referendum" to their respective authorities.[18]

Table 1. Formal Rounds of Negotiation of Proposed ACTA

Round	Date	Location	Key Topics of Discussion
1	June 3-4, 2008	Geneva, Switzerland	Border measures
2	July 29-31, 2008	Washington, D.C.	Civil remedies for infringement, border measures
3	October 8-9, 2008	Tokyo, Japan	Criminal enforcement, scope of agreement
4	December 15-18, 2008	Paris, France	International cooperation, enforcement practices, institutional issues, transparency
5	July 16-17, 2009	Rabat, Morocco	International cooperation, enforcement practices, institutional issues, transparency
6	November 4-6, 2009	Seoul, Korea	Enforcement in digital environment, criminal enforcement, transparency
7	January 26-29, 2010	Guadalajara, Mexico	Civil enforcement, border measures, internet provisions, transparency
8	April 12-16, 2010	Wellington, New Zealand	Civil enforcement, border measures, criminal enforcement, special measures for digital environment, scope of IPR

[15] In general, counterfeiting refers to violations of trademarks, while piracy refers to violations of copyrights. However, the terms are often used interchangeably in literature on IPR.

[16] The United Arab Emirates (UAE) participated in the first round of negotiations, but did not attend subsequent rounds of negotiations.

[17] USTR, "Trade Facts: Anti-Counterfeiting Trade Agreement (ACTA)," August 4, 2008.

[18] USTR, "USTR Releases Statement of ACTA Negotiating Partners on Recent ACTA Negotiations," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2010/october/ustr-releases-statement-acta-negotiating-partners.

Round	Date	Location	Key Topics of Discussion
9	June 28-July 21, 2010	Lucerne, Switzerland	Initial provisions, general objectives, civil enforcement, border measures, criminal enforcement, enforcement measures in digital environment, international cooperation, institutional arrangements
10	August 16-20, 2010	Washington, D.C.	Advanced discussions on all sections of the agreement
11	September 23-October 2, 2010	Tokyo, Japan	Resolution of nearly all substantive issues

Source: Office of the United States Trade Representative, various press releases.

Entry-into-Force of the ACTA

On October 1, 2011, the governments of Australia, Canada, Japan, Korea, Morocco, New Zealand, Singapore, and the United States signed the ACTA. Representatives from the European Union, Mexico, and Switzerland "confirmed their continuing support for and preparations to sign the Agreement as soon as practicable." In addition, all participants affirmed their goal "to work cooperatively to achieve the Agreement's prompt entry into force, and to actively support its goals."[19] Subsequently, on January 25, 2012, the European Union and 22 of its member states signed the ACTA, and on July 11, 2012, Mexico also signed the agreement.[20] The signatories to the agreement have announced that they "will proceed with domestic ratification procedures and strive to put the Agreement into effect at an early date."[21]

The agreement would enter into force after the sixth instrument of ratification, acceptance, or approval is deposited by the ACTA participants.[22] To date, no country has deposited an instrument of approval. Negotiating parties are now submitting the ACTA through their domestic approval processes, which differ across countries. For example:

- The USTR, which conducted the ACTA negotiation on behalf of the U.S. government, negotiated the ACTA as an executive agreement. Accordingly, the ACTA would not be subject to congressional approval, unless it were to require statutory changes to U.S. law. The USTR maintains that the ACTA is consistent with existing U.S. law and does not require the enactment of implementing legislation. It is not clear if the United States has a timetable for submitting a formal instrument of approval for the ACTA.
- The European Commission negotiated the ACTA on behalf of EU member states. In contrast to the United States, in order for ACTA to enter into force in the EU, the European Parliament and all 27 member states must sign and ratify the

[19] USTR, "Joint Press Statement of the Anti-Counterfeiting Trade Agreement Negotiating Parties ," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/joint-press-statement-anti-counterfeiting-trade-ag.

[20] Instituto Mexicano de la Propiedad Industrial (IMPI), "Mexico Signs the Anti-Counterfeiting Trade Agreement (ACTA)," press release, July 11, 2012.

[21] Japan Ministry of Economy, Trade and Industry, "EU and EU Member States sign the Anti-Counterfeiting Trade Agreement (ACTA)," press release, January 26, 2012, http://www.meti.go.jp/english/press/2012/0126_01.html.

[22] USTR, "Joint Press Statement of the Anti-Counterfeiting Trade Agreement Negotiating Parties," press release, October 1, 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/joint-press-statement-anti-counterfeiting-trade-ag.

ACTA. On July 4, 2012, the European Parliament voted against the ACTA, meaning that neither the EU nor its individual member states can join the agreement in its current form.[23] EU member states have been undertaking national ratification processes. In recent months, amid widespread protests by advocates of Internet free speech, several EU member states decided to suspend or not initiate their domestic adoption of the ACTA, including Bulgaria, the Czech Republic, Germany, Latvia, Poland, and Slovakia.[24] On February 22, 2012, the European Commission placed the ACTA ratification process on hold and submitted the agreement to the European Court of Justice to determine if the ACTA is compatible with EU law.[25] There is the possibility that the European Commission may try to revive the ACTA following the court ruling.[26]

Certain ACTA participants, such as the United States, EU, and Switzerland, claim that implementation of the ACTA will not require changes to their domestic legal systems. However, other countries may have to pass new laws in order to implement the enforcement standards of the ACTA, including granting *ex-officio* authority to customs officials to initiate criminal investigations in cases of trademark infringement and copyright piracy and providing legal remedies for circumventing technological protection measures (TPM). Some of the digital enforcement standards of the ACTA are contained in the World Intellectual Property Organization (WIPO) Copyright Treaty and Performance and Phonograms Treaty ("WIPO Internet treaties"). For example, on June 29, 2012, Canada finalized passage of a copyright bill, C-11, that incorporates the WIPO Internet treaties into Canadian domestic law, among other things.[27] Canada signed the WIPO Internet Treaties in 1997, but had not entered the treaties into force. Previous copyright reform bills failed to advance before prior dissolutions of Parliament.[28]

Characteristics of Participants in the ACTA Negotiation

Most countries that were involved in the ACTA negotiation are economically advanced countries. They generally consider IPR-based industries to be important to their economies. Together, these countries constitute roughly half of total world merchandise exports. Participants to the ACTA negotiation generally have been part of major international trade liberalization efforts (see **Table 2**). All of the countries have acceded to the WTO TRIPS Agreement, most have implemented the WIPO Internet treaties, and several have implemented or are negotiating free trade agreements (FTAs) with the United States.

[23] "European Parliament Rejects ACTA," *European Parliament/News*, July 4, 2012.

[24] EU Observer, "Poland Suspends Ratification of ACTA Bill," *EU Observer*, February 6, 2012. Nikolaj Nielsen, "Czech Republic Stops Ratification of Anti-Counterfeit Treaty," *EU Observer*, February 7, 2012."German Government Suspends ACTA Ratification," *EU Observer*, February 10, 2011. David Meyer, "ACTA to be Examined by Top EU Court," *ZDNet UK*, February 22, 2010.

[25] "European Commission Puts ACTA Ratification on Hold; Requests EU High Court Review," *BNA Bloomberg Patent, Trademark & Copyright Law Daily*, February 23, 2012.

[26] Charles Arthur, "ACTA Down, But Not Out, as Europe Votes Against Controversial Treaty," *The Guardian*, June 4, 2012.

[27] Government of Canada, "Harper Government Delivers on Commitment to Modernize Canada's Copyright Laws," press release, June 29, 2012, http://news.gc.ca/web/article-eng.do?nid=683909.

[28] "Implementing the ACTA Text Will Require Legal Changes in Some Countries," *World Trade Online*, October 24, 2010.

Table 2. Status of ACTA Negotiating Parties in Selected Other Trade Agreements

ACTA Participant	WTO TRIPS Agreement	WIPO Internet Treaties[a]	Regional FTA with the United States	Bilateral FTA with the United States
Australia	√	In-Force	TPP[b] (Under Negotiation)	U.S.-Australia FTA (In-Force)
Canada	√	Signature	NAFTA[c] (In-Force)	U.S.-Canada FTA[d]
European Union	√	Signature	—	—
Japan	√	In-Force	—	—
Mexico	√	In-Force	NAFTA[c] (In-Force)	—
Morocco	√	Not a member	—	U.S.-Morocco FTA (In-Force)
New Zealand	√	Not a member	TPP[b] (Under Negotiation)	TPP (Under Negotiation)
Korea	√	In-Force	—	U.S.-Korea FTA (Approved)
Singapore	√	In-Force	TPP[b] (Under Negotiation)	U.S.-Singapore FTA (In-Force)
Switzerland	√	In-Force	—	—
United States	√	In-Force	N/A	N/A

Source: CRS analysis, drawing from information provided by the WTO, WIPO, USTR.

Notes:

a. WIPO Internet Treaties refer to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

b. The TPP is the prospective Trans-Pacific Partnership agreement, a high-standard FTA being negotiated among Singapore, Chile, New Zealand, Brunei Darussalam, Australia, Malaysia, Peru, Vietnam, and the United States.

c. The NAFTA is the North American Free Trade Agreement, negotiated among the Canada, Mexico, and the United States.

d. The U.S.-Canada FTA was expanded into the NAFTA.

Summary of Key Provisions of the ACTA

The ACTA establishes a legal framework for IPR enforcement, increased international cooperation, and enhanced enforcement measures. What follows is a summary of key provisions of the ACTA.

Initial Provisions

The initial provisions chapter of the ACTA discusses the nature and scope of the agreement, its relationship to existing agreements (including the TRIPS Agreement) and domestic laws, provisions on privacy and disclosure of information, and definitions of terms used in the agreement. Among other things, the chapter:

- states the ACTA shall not derogate from each Party's obligations under existing agreements;
- provides for the flexibility of each Party to implement more extensive IPR enforcement than is required by the ACTA;
- provides for the flexibility of each Party to determine the appropriate method of implementing provisions of the ACTA within its own legal system and practice;
- notes that the objectives and principles set forth in Part 1 of the TRIPS Agreement, in particular Articles 7 (technology transfer) and 8 (public health), apply to the ACTA; and
- stipulates that the Agreement does not require each Party to apply the obligations under the ACTA to an intellectual property that is not protected under its domestic laws and regulations.

Legal Framework for Enforcement

The legal framework chapter includes general obligations for enforcement, civil enforcement, border measures, criminal enforcement, and enforcement of IPR in the digital environment.

General Obligations

The general obligations section commits ACTA Parties to effective IPR enforcement action that provides expeditious and deterrent remedies, avoids creating barriers to legitimate trade, and provides for fair and equitable treatment for participants subject to enforcement procedures. The section also requires that, in implementing the enforcement provisions, the Parties take into account the proportionality of the seriousness of the infringement, the infringement of third parties, and the applicable measures, remedies, and penalties.

Civil Enforcement

The civil enforcement section requires each Party to make civil judicial procedures concerning IPR enforcement available. Among other provisions, this section requires each Party to provide its judicial authorities with the authority to:

- issue injunctions against a party to desist from an infringement and to prevent the entry of infringing goods into the channels of commerce;
- order the infringer to pay the right holder damages adequate to compensate the right holder for losses from infringement (section includes formulas for calculating damages);
- order recovery of costs and attorneys' fees at the conclusion of civil judicial proceedings concerning IPR infringement;
- order the infringer, or alleged infringer, to provide information related to the infringement to the right holder or judicial authorities;
- destroy infringing goods, as well as the materials used to manufacture or create the infringing goods; and

- order provisional measures, such as seizures, to prevent an infringement from occurring.

A footnote to the civil enforcement section states that Parties may exclude patents and protection of undisclosed information from the scope of this section.

Border Measures

The border measures section concerns effective border enforcement of IPR in a manner that does not discriminate among different forms of IPR and avoids creating barriers to legitimate trade. Under this section, among other provisions, each Party:

- shall adopt or maintain procedures with respect to import and export shipments, under which customs authorities may act upon their own initiative to suspend the release of suspect goods and, where appropriate, a right holder may request its customs authorities to suspend the release of suspect goods;
- may adopt or maintain procedures with respect to suspect in-transit goods or in other situations where the goods are under customs control, under which customs authorities may act upon their own initiative to suspend the release of, or to detain, suspect goods, and, where appropriate, a right holder may requests its competent authorities to suspend the release of, or to detain, suspect goods;
- shall adopt or maintain procedures by which its competent authorities may determine IPR infringement in a reasonable period of time;
- shall provide its competent authorities with the authority to order the destruction of infringing goods and to impose administrative penalties; and
- may authorize its competent authorities to provide a right holder with information about specific shipments of goods to assist in detecting infringing goods.

Criminal Enforcement

The criminal enforcement section requires that each Party provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright (or related rights) piracy on a commercial scale (including the willful importation or exportation of such goods). This section requires each Party to:

- provide penalties, including imprisonment and monetary fines, that serve as deterrents to future acts of infringement;
- provide its competent authorities with the authority to order the seizure of suspected counterfeit trademark or pirated copyright goods, as well as related materials;
- provide its competent authorities with the authority to order the forfeiture or destruction of counterfeit trademark and pirated copyright goods, as well as of the materials used to create the goods and the assets derived from the infringing activity;

- provide its judicial authorities with the right to order the seizure and forfeiture of equivalent assets derived from, or obtained directly or indirectly through, the infringing activity; and
- provide that, in appropriate cases, its competent authorities may act upon their own initiative to initiate investigation or legal action with respect to the criminal offenses for which the Party provides criminal procedures and penalties.

Enforcement of IPR in the Digital Environment

The digital enforcement section discusses obligations for enforcement of copyrights and related rights over digital networks. Among other provisions, this section provides that:

- each Party shall ensure that enforcement procedures, to the extent set forth in the civil and criminal enforcement sections of the agreement, permit effective enforcement action against IPR infringement in the digital environment, including for infringement of copyright or related rights over digital networks;
- the enforcement procedures shall be enacted in a manner that avoids the creation of barriers to legitimate activity and preserves the fundamental principles of freedom of expression, fair process, and privacy;
- a Party may provide, in accordance to its laws and regulations, its competent authority with the authority to order an online service provider to disclose to a right holder identifying information related to a subscriber whose account was allegedly used for infringement; and
- each Party shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures (used by right owners to prevent the use of their copyrighted works in unwanted ways) and to protect electronic rights management information, and also may adopt limitations and exceptions in implementing these remedies.

Enforcement Practices

The enforcement practices chapter focuses on the methods used by Parties to apply IPR enforcement laws. This chapter provides that:

- each Party shall promote the development of enforcement expertise within its competent authorities, the collection and analysis of statistical data and other information concerning IPR infringement and best practices for preventing/combating infringement, and the development of formal and informal mechanisms whereby competent authorities may receive input from right holders and other relevant stakeholders;
- the competent authorities of each Party may consult with relevant stakeholders and the competent authorities of other Parties to manage IPR infringement risks at the border and share information with the competent authorities of other Parties on border enforcement of IPR (including relevant information to better identify and target shipments);
- each Party shall take appropriate measures to promote transparency in its administration of its IPR enforcement system;

- each Party shall, as appropriate, promote public awareness of the importance of respecting IPR and the negative effects of IPR infringement; and
- in the destruction of infringing goods, each Party shall take environmental considerations into account.

International Cooperation

The international cooperation chapter discusses how Parties may work together to address challenges in cross-border trade in counterfeit and pirated products. The chapter provides that:

- the Parties shall promote cooperation, where appropriate, among their competent authorities responsible for IPR enforcement;
- each Party shall endeavor to exchange information, including statistical data and information, best practices, information on IPR-related legislative and regulatory measures, with other Parties;
- each Party shall endeavor to assist in capacity building and technical assistance to other Parties in enhancing IPR enforcement; and
- each Party shall strive to avoid unnecessary duplication in international cooperation activities.

Institutional Arrangements

The institutional arrangement chapter establishes an ACTA Committee to review the implementation and operation of the agreement, proposed amendments to the agreement, and the terms of accession to the ACTA of any WTO Member. Among other provisions, the committee shall take decisions by consensus (except as decided by the ACTA Committee by consensus) and shall establish a mechanism for consultations on any matter affecting the implementation of the ACTA.

Final Provisions

The ACTA shall remain open for signature by participants in its negotiations and by any other WTO Members the participants may agree to by consensus from May 1, 2011, until May 1, 2013. The agreement shall enter into force 30 days after the date of deposit of the sixth instrument of ratification, acceptance, or approval by participants. WTO Members may apply to join the agreement after May 1, 2013.

U.S. Involvement and Objectives

Involvement of Administration and Congress

The United States conducted the ACTA negotiation through the Office of the United States Trade Representative (USTR), which is located in the Executive Office of the President (EOP). The USTR has the lead on negotiating U.S. trade agreements in international forums. It crafts U.S. trade policy through an interagency process that includes the Departments of Commerce, Justice,

State, and the Treasury, among other agencies. The USTR also consults its formal trade advisory groups; key congressional committees; and various private sector, non-governmental, and civil society stakeholder groups.

The Bush Administration began, and the Obama Administration continued, negotiation of the ACTA as an executive agreement, meaning that the agreement would not be subject to congressional approval, unless it were to require statutory changes to U.S. law. According to the USTR, the United States negotiated the ACTA under a premise of consistency with U.S. law.[29] The USTR further states that the ACTA is consistent with existing U.S. law—including U.S. copyright, patent, and trademark laws—and does not require a change to U.S. law for its implementation in the United States.[30] As such, the USTR maintains that ACTA does not require the enactment of implementing legislation from Congress, and contends that the United States may enter into and carry out the requirements of the ACTA under existing legal authority, as it has done with other trade agreements.[31]

The congressional role in the ACTA is rooted in the U.S. Constitution. ACTA concerns both the regulation of foreign commerce and IPR, which are subject to congressional power under the Constitution. Article 1, Section 8 of the Constitution provides Congress with the power to "regulate Commerce with foreign Nations" and to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." In addition, it empowers Congress to "make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof." Although Congress has established a consultative role for itself in statute with regard to certain trade agreements in the past,[32] it has not done so with the ACTA. However, Congress has played an oversight and consultative role during the ACTA negotiation process, and also can engage in oversight of the implementation of the ACTA.

The use of an executive agreement to conduct the ACTA negotiations may be considered a departure from the way that the United States has pursued IPR goals in other international trade negotiations. In general, the United States has advanced IPR goals internationally as part of congressional-executive trade agreements or treaties, subject to congressional approval.[33]

U.S. Motivations for Negotiating the ACTA

The United States has had long-standing concerns about the rise in global IPR infringement, which can impose substantial costs to U.S. firms and pose risks to U.S. consumers. The costs of research and development are high for many IPR-based industries. In contrast, IPR infringement is characterized by low risks, little initial capital investment, and a high profit margin. The

[29] Meeting with USTR official, January 22, 2010.

[30] USTR, *ACTA: Meeting U.S. Objectives*, October 2011, http://www.ustr.gov/about-us/press-office/fact-sheets/2011/september/acta-meeting-us-objectives.

[31] The USTR points to agreements such as "both broad trade pacts like the 1947 General Agreement on Tariffs and Trade, and agreements specifically addressing trade-related intellectual property rights, including those concluded with Ecuador, Hungary, Jamaica, and Latvia."

[32] See, for example, the Bipartisan Trade Promotion Authority Act (BTPAA) of 2002.

[33] CRS Report 97-896, *Why Certain Trade Agreements Are Approved as Congressional-Executive Agreements Rather Than as Treaties*, by Jeanne J. Grimmett.

development of technologies and products which can be easily duplicated, such as digital media, has led to an increase in piracy. Growing Internet usage also has contributed to the distribution of counterfeit and pirated products. Additionally, in some countries, civil and criminal penalties often are not sufficient deterrents for counterfeiting and piracy.

The protection and enforcement of IPR internationally is a major component of U.S. trade policy, due to the importance of IPR to the U.S. economy and the potentially negative commercial, health and safety, and security consequences associated with counterfeiting and piracy. What follows is a survey of some of these key rationales—economic, health and safety, and security—cited by the United States as motivations for negotiating the ACTA.

Economic Rationale

One major rationale for U.S. participation in the ACTA negotiations is the economic importance of IPR in the U.S. economy and the adverse impact of counterfeiting and piracy on the U.S. economy. Adequate protection and enforcement of IPR are considered to play a key role in promoting innovation, which is viewed as an important source of the competitiveness of many industries in the United States and the other knowledge-based economies involved in the ACTA negotiations. Advocates of a strong international IPR regime claim that counterfeiting and piracy inflict billions of dollars of revenue and trade losses annually on legitimate IPR-based industries.[34]

While the United States and other participants to the ACTA claim that the magnitude of trade in counterfeit and pirated goods and the associated economic losses are substantial, it is difficult to quantify these assertions. The very nature of IPR infringement—secretive and illicit—makes it difficult to track production and trade in counterfeit and pirated goods. Compared to infringement of "tangible" goods, infringement of digital media may be even more difficult to track, as such goods increasingly are disseminated by the Internet, further complicating data collection efforts. In some cases, companies may be reluctant to release information about IPR infringement problems that they face with their branded products, out of concern that such public information may affect the marketing of their products.[35]

On the opposing side, some question the commercial rationale for the ACTA. Some observers point out that many of the estimates for losses associated with IPR infringement are generated by industry groups, which may have self-interested motivations.[36] Some analysts question the proposition that sales of pirated goods translate directly into revenue losses for legitimate firms. For example, some consumers who purchase an IPR-infringing product may not be able or willing to purchase the legitimate version of the product at the market price offered absent IPR infringement. In addition, some advocates of civil liberties assert that government discussions

[34] USTR, "Ambassador Ron Kirk Announces Plan to Move Forward with the Negotiation of the Anti-Counterfeiting Trade Agreement (ACTA)," press release, June 22, 2009, http://www.ustr.gov/about-us/press-office/press-releases/2009/june/ambassador-ron-kirk-announces-plan-move-forward-negot. USTR, "Remarks by Ambassador Ron Kirk at the Global Intellectual Property Center Annual Summit," press release, September 30, 2009.

[35] Kevin Outterson and Ryan Smith, "Counterfeit Drugs: The Good, the Bad, and the Ugly," *Albany Law Journal of Science and Technology*, vol. 525 (2006).

[36] Monika Ermert, "Speculation Persists on ACTA as First Official Meeting Concludes," *Intellectual Property Watch*, June 5, 2008. Robin Gross, *IP Justice White Paper on the Proposed Anti-Counterfeiting Trade Agreement (ACTA)*, IP Justice, March 25, 2008, p. 6.

about ACTA may not be fully evaluating the economic and commercial benefits of exceptions and limitations to exclusive rights, such as "fair use" exceptions in U.S. copyright law.

Moreover, some public interest groups argue that IPR protection and enforcement have tilted disproportionately in favor of private rights at the expense of broader economic and social welfare. Some critics assert, for example, that while IPR protection and enforcement may promote innovation, unbalanced IPR rules may stifle the free flow of information.[37]

Health and Safety Rationale

A second major rationale of U.S. participation in the ACTA negotiation is health and safety concerns stemming from counterfeiting and piracy. Advocates of the ACTA argue that counterfeit products, such as fake medicines or auto parts, may be substandard and pose threats to the health and safety of consumers. In contrast, some public health advocates maintain that there has been a conflation of counterfeiting of goods with the health threats posed by those goods. It is conceivable that a medicine can be legitimate, not be infringing on an IPR, and still pose health and safety threats if it is substandard. Conversely, it also is conceivable that a medicine can be counterfeit—for instance, violating a trademark—and not pose health and safety threats. In addition, some express concern that increasing IPR protection and enforcement, while providing long-term incentives for innovation and research and development in new medicines, may pose challenges for public health, such as access to affordable medicines.

Security Rationale

A third rationale for the U.S. involvement in the ACTA centers on security concerns. Counterfeiting and piracy may be associated with broader forms of criminal activity.[38] Organized crime syndicates may find the immense profits derived from copyright infringement to be highly attractive. Some have linked copyright piracy to other illicit activities conducted by organized crime syndicates, such as drug smuggling, trade in illegal arms, and money laundering.[39] Others argue that such claims are tenuous and based more on anecdotal information than quantifiable data. They also argue that, while there may be isolated incidences of IPR tied to organized criminal syndicates, this is not a widespread problem.[40]

U.S. Trade Policy and Building Blocks for the ACTA

The United States pursues IPR objectives using a range of trade policy mechanisms, including multilaterally through the WTO; regionally and bilaterally through the negotiation of FTAs; and

[37] For example, see Electronic Frontier Foundation (EFF), https://www.eff.org/issues/acta.

[38] USTR, *2012 Special 301 Report*, April 2012.

[39] Gregory F. Treverton et al., *Film Piracy, Organized Crime, and Terrorism*, RAND Corporation, 2009. Organization for Economic Cooperation and Development, *The Economic Impact of Counterfeiting and Piracy*, June 2008, http://www.oecd.org/document/4/0,3746,en_2649_34173_40876868_1_1_1_1,00.html.

[40] Carsten Fink and Carlos M. Correa, *The Global Debate on the Enforcement of Intellectual Property Rights and Developing Countries*, International Centre for Trade and Sustainable Development, February 2009, http://www.iprsonline.org/New%202009/fink-correa_feb2009.pdf.

domestically through U.S. trade laws.[41] What follows is a discussion of some of the building blocks for the ACTA found in U.S. trade policy.

WTO TRIPS Agreement

The ACTA is intended to build on the commitments set forth by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the prevailing multilateral framework for creating international rules on protection and enforcement of IPR. The United States has posited that the negotiation of a new agreement, that is, the ACTA, could fill in gaps in the TRIPS Agreement for addressing IPR challenges.[42] For example, some contend that the 1995 TRIPS Agreement does not adequately address IPR infringement issues associated with new and emerging technologies or provide effective tools for combating the proliferation of piracy in digital media.

The TRIPS Agreement seeks a balance of rights and obligations between private rights and the public obligation "to secure social and cultural development that benefits all."[43] Although the TRIPS Agreement has been in existence for more than a decade, there remain a number of ongoing debates about the legitimacy and fairness of the agreement in balancing these rights.

Regional and Bilateral Free Trade Agreements

The United States pursues international IPR protection through regional and bilateral FTAs. In negotiating recent FTAs, the USTR frequently has sought levels of protection that exceed the TRIPS Agreement, in areas such as patents and copyrights. The pursuit of these so-called "TRIPS-plus" provisions has generated an ongoing debate about the appropriate balance of rights and obligations under an IPR regime. Following the May 10, 2007, Bipartisan Trade Agreement between congressional leadership and the Bush Administration, some IPR provisions in the U.S. FTAs with Peru, Panama, and Colombia were revised, particularly for pharmaceutical-related IPR provisions.

U.S. FTAs have served as models for the ACTA. The United States has stated its interest in modeling the ACTA on the IPR enforcement provisions found in the U.S. FTAs with Australia, Morocco, Singapore, and South Korea. These agreements include provisions on "criminal penalties and procedures in cases of willful trademark counterfeiting or copyright piracy on a commercial scale; border measures in cases involving trademarks and copyrights; and civil remedies for all intellectual property rights (e.g., patent, trademark, copyright), with appropriate limitations that ensure consistency with U.S. law."[44] For the United States, the ACTA represents

[41] For additional information on U.S. trade policy mechanisms used to advance IPR protection and enforcement, see CRS Report RL34292, *Intellectual Property Rights and International Trade*, by Shayerah Ilias and Ian F. Fergusson.

[42] USTR, *The Anti-Counterfeiting Trade Agreement – Summary of Key Elements Under Discussion*, updated November 6, 2009.

[43] Pascal Lamy, "Trade-Related Aspects of Intellectual Property Rights – Ten Years Later," *Journal of World Trade*, October 2004, p. 925.

[44] Letter from The Honorable Ron Kirk, U.S. Trade Representative, to The Honorable Ron Wyden, U.S. Senator, January 28, 2009.

an opportunity to expand the stronger IPR commitments found in these bilateral agreements to a broader set of countries.[45]

While the title of the proposed agreement denotes it as a "trade agreement," the ACTA differs in nature from U.S. regional and bilateral FTAs, which aim to comprehensively eliminate and reduce barriers to trade. In contrast, the ACTA is a plurilateral agreement that is narrowly focused on IPR and has been portrayed by the USTR as a leadership and standard-setting agreement.

Points of Debate: Issues for U.S. Policy

The ACTA negotiation has spurred debates among various stakeholder groups within and among the various countries on both process and substance. Certain stakeholders have voiced concerns about the negotiation's scope, transparency, and inclusiveness. Members of the U.S. business community, such as the entertainment, pharmaceutical, luxury goods, and high technology industries, largely have been supportive of the ACTA. They assert that stronger international IPR protection and enforcement through the ACTA are critical for their competitiveness. Other business groups, including Internet service providers, have expressed concerns about the digital enforcement provisions of the proposed agreement. In addition, various civil society groups, such as public health and consumer rights advocates, have voiced concerns about the implications of the ACTA for trade in legitimate goods, consumer privacy, and free flow of information. With the existence of the WTO TRIPS Agreement and other international agreements on IPR, some question the rationale behind creating a new agreement to combat counterfeiting and piracy. The following section discusses in greater detail some of these key points of debate.

Scope of the Proposed Agreement

As titled, the ACTA would suggest a focus exclusively on combating counterfeit goods. While definitions of "counterfeiting" vary, the term tends to refer to trademark infringement of physical goods. For example, in the WTO TRIPS Agreement, the term "counterfeiting" is used in conjunction with trademark infringement. As a result, when the agreement was proposed initially, many observers believed that it would focus primarily on combating trade of fake medicines, toys, auto parts, computer parts, and the like. However, as ACTA negotiations progressed, the scope of IPR in the agreement broadened from beyond traditional notions of "counterfeiting," to also include piracy. While definitions of "piracy" vary, the term generally refers to infringement of copyrights.

According to press reports, ACTA negotiating parties differed on the range of intellectual property that should be covered in the various provisions of the agreement. For example, the European Union reportedly advocated for the inclusion of patents in the civil enforcement section. The EU argued that exclusion of patents from civil remedies would limit the extent to which certain industries, such as the automotive, machinery, pharmaceutical, and agro-chemical industries, may be able to take advantage of the ACTA. The United States opposed the inclusion of patents in the civil enforcement section; some have speculated that the opposition was due to a concern that the inclusion would contradict U.S. patent law.[46] The final ACTA text includes a

[45] Meeting with USTR official, January 22, 2010.

[46] "De Gucht Stands Firm on ACTA Scope, No Compromise Yet Seen With U.S.," *World Trade Online*, October 22, (continued...)

footnote to the civil enforcement section which states, "A Party may exclude patents and protection of undisclosed information from the scope of this Section." Given this exemption, it remains to be seen which countries exclude patents from the scope of their civil enforcement. The United States has said that its implementation of the ACTA would exclude patents.

As another example, the EU and the United States also took differing positions regarding the inclusion of trademarks in the digital enforcement section of the ACTA. The EU supported the inclusion of trademarks, along with copyrights, in the scope of the digital enforcement section, expressing concern about the volume of Internet sales of goods infringing on European trademarks. In contrast, the United States opposed the inclusion of trademarks in this section; some have speculated that the opposition was due to a concern that the inclusion would contradict U.S. law. For instance, some U.S. stakeholders argued that inclusion of trademarks in this section would go beyond the U.S. Digital Millennium Copyright Act (DMCA), which focuses only on copyright piracy.[47] The digital enforcement section of the final ACTA text largely excludes trademark counterfeiting, focusing primarily instead on infringement of copyright or related rights over digital networks. However, it does include a provision stating that a Party may provide its competent authorities with the authority to order an online service provider to disclose information to a right holder sufficient to identify a subscriber whose account was allegedly used for trademark or copyright infringement and where such information is being sought to protect or enforce those IPR.

Transparency of and Stakeholder Input in Negotiation

The ACTA negotiation has spurred debates about the transparency of the negotiation process. Among some groups, there is a perception that the ACTA negotiation lacked sufficient public transparency and meaningful public input.[48] Some critics assert that the negotiating governments engaged in close consultation with right holders, including representatives of the entertainment, software, apparel, and pharmaceutical industries, but did not engage in extensive consultations with consumer and public interest groups.[49] Some observers have commented that the level of secrecy in the ACTA negotiations was unprecedented, compared to other international trade negotiations. They point out that draft texts for other international trade treaties, such as the WTO TRIPS Agreement, were released during their respective negotiation. Some Members of Congress and a range of stakeholders have called on USTR to enhance the transparency of the ACTA negotiations.[50] For instance, in a letter addressed to USTR, Senators Bernard Sanders and Sherrod Brown called on USTR to allow the public to review and comment on substantive proposals for the proposed ACTA.[51]

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[47] Ibid.

[48] For example, see letter from The Honorable Ron Wyden, U.S. Senator, to The Honorable Ron Kirk, U.S. Trade Representative, January 6, 2010.

[49] "Numerous Firms Reviewed Draft Treaty Proposal on IP," *CongressDaily/A.M.*, October 16, 2009.

[50] The transparency issue has surfaced for other negotiating parties as well. For instance, in the EU, such criticisms came to a head on January 26, 2012, when the European Parliament's rapporteur on the ACTA, MEP Kader Arif of the center-left Socialists and Democrats (S&D) parliamentary group, resigned his position, charging that the negotiations lacked transparency and sufficient consultations with civil society. Fellow S&D MEP David Martin has since been appointed as the EP's rapporteur on the ACTA.

[51] Letter from The Honorable Bernard Sanders, U.S. Senator, and The Honorable Sherrod Brown, U.S. Senator, to The (continued...)

During the early negotiating rounds, USTR refrained from publicly circulating draft text of the ACTA, citing security reasons. U.S. Trade Representative Kirk has defended the ACTA negotiation process, maintaining:

> As is customary during negotiations among representatives of sovereign states, the negotiators agreed that they would not disclose proposals or negotiating texts to the public at large, particularly at earlier stages of the negotiation. This is done to allow participants to exchange views in confidence, facilitating the negotiation and compromise that are necessary to reach agreement on complex issues.[52]

USTR reportedly shared a draft of the digital enforcement chapter with cleared advisors in the USTR formal trade advisory system and selected industry and public interest groups, who were required to sign non-disclosure agreements in order to view the negotiating text.[53] Moreover, the ACTA negotiation process became more transparent as the negotiation advanced. USTR publicly released a summary of key elements under discussion in November 2009, following the 6th round of negotiations; a draft text in April 2010, following the 8th round of negotiations; a consolidated text in October 2010, following the 11th and final round of negotiations; a finalized text on November 15, 2010, subject to legal verification; and a final text in May 2011. As additional examples of increasing transparency, USTR pointed to a number of steps it took in 2009, including establishing a dedicated ACTA web page on the USTR website; releasing a public summary of issues under negotiation; and releasing public agendas on the ACTA web page prior to each negotiating round.[54]

USTR also contends that it consulted sufficiently with Congress and outside stakeholders. It has stated that the ACTA is the "product of close collaboration between the Administration and Congress as well as intensive consultations with U.S. industry and nongovernmental organizations."[55] In terms of congressional consultation, USTR has pointed to ACTA-related meetings and conference calls it has held with congressional staff and Members to provide updates on ACTA developments and to solicit views to ensure that the ACTA reflects congressional perspectives.[56] In terms of consulting with other stakeholders, USTR has noted it solicited advice from a broad range of experts, including representatives of right holders, Internet intermediaries, and non-government organizations.[57] Additionally, it issued a *Federal Registrar* notice in February 2008 requesting public comments on the ACTA and subsequently invited

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Honorable Ron Kirk, U.S. Trade Representative, November 23, 2009.

[52] USTR, "Ask the Ambassador," question on the ACTA negotiation process, September 23, 2009.

[53] "Numerous Firms Reviewed Draft Treaty Proposal on IP," *CongressDaily*, October 14, 2009.

[54] Letter from The Honorable Ron Kirk, U.S. Trade Representative, to The Honorable Ron Wyden, U.S. Senator, January 28, 2010, http://www.ustr.gov/webfm_send/1700. For access to ACTA texts, see Office of the U.S. Trade Representative, "Previous ACTA Texts," http://www.ustr.gov/trade-topics/intellectual-property/anti-counterfeiting-trade-agreement-acta/previous-acta-texts.

[55] Letter from The Honorable Ron Kirk, U.S. Trade Representative, to The Honorable Ron Wyden, U.S. Senator, December 7, 2011.

[56] Ibid.

[57] Letter from The Honorable Ron Kirk, U.S. Trade Representative, to The Honorable Ron Wyden, U.S. Senator, January 28, 2010, http://www.ustr.gov/webfm_send/1700. For access to ACTA texts, see Office of the U.S. Trade Representative, "Previous ACTA Texts," http://www.ustr.gov/trade-topics/intellectual-property/anti-counterfeiting-trade-agreement-acta/previous-acta-texts.

stakeholders to a public meeting that it would hold, in conjunction with the Department of Commerce, to discuss the ACTA.[58]

Range of Participants

The range of participants included in the ACTA negotiation was subject to controversy. One element of debate was the absence of developing country participation. Some groups are critical that the ACTA was negotiated as a plurilateral agreement primarily among largely advanced industrialized countries.[59] Some developing country advocates express concern that the ACTA negotiation did not sufficiently take into account the interests, views, and needs of developing countries. For instance, during WTO TRIPS Council meetings, China and India have stated that the ACTA, among other things, could weaken the balance of rights, obligations, and flexibilities that have been negotiated in WTO agreements; create barriers to trade; constrain flexibilities in the TRIPS Agreement, such as for public health and trade in generic medicines; limit government's freedom to allocate resources for IPR by compelling them to focus on enforcement; and lead to the incorporation of ACTA standards in future regional and other agreements. Other developing countries not party to the ACTA negotiation also have espoused similar views.[60]

The selection of certain countries as participants in the ACTA has been another element of debate. Some observers have questioned why countries designated in the USTR's Special 301 report for having inadequate IPR protection and environment are involved in the ACTA. The *2012 Special 301 Report* included Canada on the Priority Watch List, and Mexico and certain European Union members (Finland and Romania) on the Watch List.[61] According to the USTR, participation in the ACTA may help countries identified in the Special 301 report to attain their goals of enhancing IPR enforcement.[62] At the same, some observers also have questioned the effectiveness of an agreement that does not include countries like China and Russia (both designated in the Special 301 Report), which are considered to be major sources of counterfeiting and piracy.

ACTA negotiation parties have discussed expanding the ACTA to include other interested countries in the future.[63] The final text of the agreement includes accession terms, stating that after the May 1, 2011-May 1, 2013, signatory period for parties to the ACTA negotiation, any member of the WTO may apply to accede to the agreement. The ACTA Committee, which oversees the agreement and accession of new members, is to decide upon the terms of accession for each applicant. USTR has expressed hope that other countries will join the ACTA over time, "reflecting the growing international consensus on the need for strong IPR enforcement."

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[58] USTR, "Anti-Counterfeiting Trade Agreement (ACTA): Request for Public Comments," 73 *Federal Register* 8910-8911, February 17, 2008. USTR, "Anti-Counterfeiting Trade Agreement (ACTA): Notice of Public Meeting," 73 *Federal Register* 51860-51861, September 5, 2008.

[59] Monika Ermert, "Embattled ACTA Negotiations Next Week in Geneva; US Sees Signing This Year," *Intellectual Property Watch*, May 2009.

[60] World Trade Organization (WTO), "Council Debates Anti-Counterfeiting Talks, Patents o Life," press release, June 8 and 9, 2010, http://www.wto.org/english/news_e/news10_e/trip_08jun10_e.htm."China Slams Nearly Completed ACTA, Questions Its WTO Compatibility," *World Trade Online*, November 4, 2010.

[61] The "Priority Watch List" and "Watch List" are administrative categories created by the USTR for country identification in the Special 301 report. USTR, *2011 Special 301 Report*, April 2011.

[62] USTR, *Trade Facts: Anti-Counterfeiting Trade Agreement (ACTA)*, August 4, 2008, p. 3, http://www.ustr.gov/sites/default/files/uploads/factsheets/2008/asset_upload_file760_15084.pdf.Ibid.

[63] USTR, *The Anti-Counterfeiting Trade Agreement – Summary of Key Elements Under Discussion*, April 6, 2009.

However, some critics speculate that developing countries would be invited to join the ACTA at a point when the agreement has largely been "locked-in" and when significant changes could not be introduced. Some groups voice concern that developing countries will feel pressured to adhere to the ACTA in order to obtain trade benefits from ACTA participants.[64]

Impact on Legitimate Trade and Consumer Activity

The ACTA negotiation has generated debate about the potential impact of increasing IPR protection and enforcement standards on legitimate trade and consumer activities. This speaks to a long-standing broader debate about the perceived trade-off between the protection of IPR and the facilitation of trade. IPR-based industries have voiced strong support for the ACTA, contending that its enhanced standards will contribute to greater economic growth and employment. Other stakeholders, including some consumer rights, public health, and civil liberty groups, contend that ACTA provisions may interfere with trade in legitimate goods and consumer activity. Negotiating parties maintain that the ACTA respects the WTO Doha Declaration on Public Health, is not intended to interfere with citizens' fundamental rights or undermine civil liberties, and contains safeguards to protect against creating barriers to legitimate trade. Following the 9th round of negotiation, USTR released a statement saying:

> ACTA will not interfere with a signatory's ability to respect fundamental rights and liberties. ACTA will be consistent with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) and the Declaration on TRIPS and Public Health. Participants reiterated that ACTA will not hinder the cross-border transit of legitimate generic medicines, and reaffirmed that patents will not be covered in the Section on Border Measures. ACTA will not oblige border authorities to search travelers' baggage or their personal electronic devices for infringing materials.[65]

One flashpoint in the debate has been the ACTA's potential impact on consumer privacy and the free flow of information. For example, some critics charge that digital enforcement provisions of the ACTA would require Internet Service Providers (ISPs) to terminate customers' Internet accounts after repeated allegations of copyright infringement, a provision akin to a "three-strikes" law introduced by the French government. Such provisions reportedly have been controversial in the European Union, where some members of Parliament consider Internet access to be a fundamental human right that should only be terminated by judges.[66] While many IPR-based industries argue that increasing ISP involvement in IPR enforcement is critical to combating online piracy, critics contend that requiring ISPs to filter communication places undue burdens on ISPs. Some civil liberties groups have expressed concern about what they perceive as a low threshold for terminating consumers' Internet access; they assert that proof of online piracy, not allegations, should be the requirement for termination of Internet accounts.

In recent months, the debate about ISP obligations related to IPR infringement has been heightened by legislation introduced in the 112th Congress—the Prevent Real Online Threats to

[64] Robin Gross, *IP Justice White Paper on the Proposed Anti-Counterfeiting Trade Agreement (ACTA)*, IP Justice, March 25, 2008.

[65] USTR, "The Office of the U.S. Trade Representative Releases Statement of ACTA Negotiating Partners on Recent ACTA Negotiations," press release, July 2010, http://www.ustr.gov/about-us/press-office/press-releases/2010/june/office-us-trade-representative-releases-statement-act.

[66] Erik Wasson, "EU ACTA Document Reveals Little Agreement At Seventh Round of Talks," *Inside U.S. Trade*, February 19, 2010.

Economic Creativity and Theft of Intellectual Property Act (PROTECT IP Act, S. 968) and the Stop Online Piracy Act (SOPA, H.R. 3261)—to address online piracy, which include some provisions similar to the ACTA.[67] Following opposition by civil society groups and several Internet-based companies, congressional consideration of these bills has been postponed.

In addition, some commentators have been concerned with the extent to which U.S. "fair use" practices would be maintained under an agreement. There has been speculation about potential ACTA provisions on providing remedies against circumvention of technological protection measures (TPM) used by right owners to prevent the use of their copyrighted works in unwanted ways. Such provisions may have implications for the free flow of information.

The final ACTA text does not include provisions similar to a "three-strikes" rule, or similar "notice-and-takedown" rules. Rather, the final text requires ACTA participants to give their competent authorities the ability to order ISPs to disclose expeditiously to a right holder sufficient information to identify a subscriber whose account was allegedly used for infringement. The ACTA does contain provisions on TPM. However, the ACTA text broadly states that the digital enforcement procedures "shall be implemented in a manner that avoids the creation of barriers to legitimate activity, including electronic commerce, and consistent with that Party's law, preserves fundamental principals such as freedom of express, fair process, and privacy."

Another flashpoint has been concerns that the ACTA could undermine trade in legitimate goods. One prominent aspect of this debate are border enforcement provisions in the ACTA under which governments may give customs officials *ex-officio* authority to seize and detain goods suspected of infringing IPR. Some countries that are participants to the ACTA negotiation currently do not empower their customs officials with such *ex-officio* authority. Others grant this authority in limited cases. In the United States, the U.S. Customs and Border Protection (CBP) is authorized to make determinations that goods violate copyrights and trademarks and seize such goods. However, the CBP is not authorized to make determinations of patent violations.[68] In the case of patents, CBP enforces exclusion and cease-and-desist orders issued by the U.S. International Trade Commission (ITC) against patent-infringing goods.

Many business groups assert that granting customs officials *ex-officio* authority is critical to preventing the flow of counterfeit and pirated goods across borders. This would ensure that customs officials can engage in more proactive efforts to combat trademark counterfeiting and copyright piracy, without having to wait for a formal complaint from a private party or right holder. Some critics, such as public interest and civil liberties groups, assert that such measures would impose unnecessary or burdensome delays on the movement of goods across borders, raise the costs of trade, and result in undue impediments of personal travel.[69]

The ACTA negotiation included discussion of whether or not to include patents in the border enforcement section, which led to concerns that the ACTA could undermine legitimate trade in generic medicines and public health. As patent inclusion was debated, some public health advocates expressed concern that empowering customs authorities to make determinations about

[67] See CRS Report R42112, *Online Copyright Infringement and Counterfeiting: Legislation in the 112th Congress*, by Brian T. Yeh.

[68] See CRS Report RS22880, *Intellectual Property Rights Protection and Enforcement: Section 337 of the Tariff Act of 1930*, by Shayerah Ilias.

[69] USTR, *The Anti-Counterfeiting Trade Agreement – Summary of Key Elements Under Discussion*, updated November 13, 2009.

patent violations could lead to the prevention or delay of exports and imports of legitimate generic drugs.[70] For instance, some groups contended that the ACTA may "interfere with legitimate parallel trade in goods, including the resale of brand-name pharmaceutical products."[71] They point to recent seizures in Europe of legitimate generic medicines in-transit based on industry concerns of counterfeiting.

In the end, the border enforcement section of the ACTA's final text specifically states in a footnote that patents and the protection of undisclosed information are excluded from the scope of that section. Thus, the border enforcement section applies to other forms of IPR, such as trademarks and copyrights. The applicability of trademarks to the border enforcement section has continued to raise concerns among some public health advocates about access to medicines, such as generic medicines.

Negotiation of ACTA as Stand-Alone Agreement

The ACTA was negotiated as a stand-alone agreement outside of the WTO, WIPO, and other multilateral institutions involved in international IPR protection and enforcement. This approach to the ACTA has generated debate. On the one hand, advocates suggest that negotiating the ACTA outside of existing multilateral frameworks allowed the United States and other like-minded countries to advance global IPR protection more efficiently and with greater flexibility. The advancement of trade negotiations in multilateral venues has stalled in recent years. For example, the WTO Doha Round of multilateral trade negotiation is at a standstill over country differences on agricultural, industrial tariffs, and services. Meanwhile, WIPO members have not been able to reach an agreement on potential new elements for discussion on the WIPO global patent agenda.[72] ACTA negotiating parties also assert that the ACTA is an innovative agreement that would not have fit under current multilateral frameworks.[73] A fact sheet released by the USTR stated: "We feel that having an agreement independent of a particular organization is an appropriate way to pursue this project among interested countries. We fully support the important work of the G8, WTO, and WIPO, all of which touch on IPR enforcement."[74] On the other hand, some critics charge that the decision by ACTA participants to hold these negotiations outside of existing multilateral frameworks was intended to bypass the concerns of developing countries or other stakeholders representing various public interests.

Some observers question the status of the ACTA in the long term: Would the ACTA continue to exist as a stand-alone agreement, or would the WTO or other international bodies incorporate the ACTA? Negotiating parties have expressed hope that the WTO may incorporate ACTA standards in the future. For example, Japanese trade officials have stated, "We very much want to make ACTA a model for forming international rules within the WTO framework."[75] Some speculate

[70] Meeting with Oxfam representative, October 27, 2009.

[71] Letter from Essential Action et al. to Ambassador Susan C. Schwab, USTR, September 15, 2008.

[72] Daniel Pruzin, "No Agreement at WIPO on Patent Agenda; Developing Countries Push for Exceptions," *International Trade Daily*, February 9, 2010.

[73] European Commission, "Q&As on the Anti-Counterfeiting Trade Agreement," January 2009, http://trade.ec.europa.eu/doclib/docs/2009/january/tradoc_142040.pdf.

[74] USTR, "Trade Facts: Anti-Counterfeiting Trade Agreement (ACTA)," August 4, 2008, http://www.ustr.gov/sites/default/files/uploads/factsheets/2008/asset_upload_file760_15084.pdf.

[75] Rick Mitchell, "Japan Trade Official Says ACTA Should Serve as Model for WTO Rules," *Bloomberg BNA Intellectual Property Law Resource Center*, April 8, 2011.

that if the ACTA becomes a part of the WTO, signing on to the ACTA could become a requirement for WTO accession.

Effectiveness of a New Agreement on IPR

In light of the numerous existing international trade agreements and economic forums that address global protection and enforcement of IPR, there are some questions about the "value-added" of creating a new IPR agreement. Supporters point out that the ACTA builds on the WTO TRIPS Agreement to establish enhanced standards of IPR protection and enforcement. They also maintain that the ACTA is intended to fill in the gaps between current legal frameworks and enforcement practices and emerging IPR infringement concerns, particularly in the case of IPR infringement in the digital environment. In addition, they argue that establishing a contingency of a sizeable group of countries that support stronger efforts to combat counterfeiting and piracy could send a clear, powerful signal to the rest of the world about the importance of global IPR protection and apply pressure on countries where counterfeiting and piracy continue to be serious problems.[76] A larger group of countries also may dispel the perception that the global advancement of IPR efforts is primarily a unilateral U.S. initiative. Since the advent of the TRIPS Agreement, the United States often has been perceived as a key champion of IPR.

Critics view the ACTA as potentially duplicative, arguing that the proposed elements of the ACTA suggest significant overlap with the WIPO Internet treaties and the WTO TRIPS Agreement. Some observers note that some countries have not fulfilled their obligations under these international frameworks completely. From this perspective, they question the effectiveness of pursuing new trade agreements and potentially directing greater financial or staff resources when mechanisms currently exist to address the issues, but are not being utilized effectively.[77]

Still others question how much "teeth" an executive government-to-government agreement on IPR protection and enforcement can have if it does not increase legal protections. Some counter that, for many countries, IPR laws "on the books" are adequate, but shortcomings arise in enforcement of those laws. The ACTA, they argue, can play a critical role in addressing these gaps. Others point out that while the ACTA may not result in a statutory change in U.S. law, it could have a significant impact on the global protection of intellectual property by resulting in the need for other countries to change or enforce their laws. For instance, adhering to ACTA provisions may result in Canada's enforcement of IPR in the digital environment, a long-standing issue between the United States and Canada.

Congressional Outlook

The 112th Congress may examine the role of Congress in the ACTA approval process beyond oversight. Congress may choose to examine whether implementation of the ACTA without congressional approval could raise constitutional issues, given that U.S. approval of international agreements concerning foreign commerce and intellectual property rights falls under the Article

[76] Delegation of the European Commission, "EU/NR 75/08: Anti-Counterfeiting: E.U., U.S. and Other Meet in Washington to Advance ACTA," press release, July 31, 2008, http://www.eurunion.org/eu/index.php?option=com_content&task=view&id=2418&Itemid=58.

[77] IP Justice, "IP Justice Comments to USTR on the proposed Anti-Counterfeiting Trade Agreement," March 21, 2008.

1, Section 8 powers of Congress in the U.S. Constitution.[78] The ACTA may raise a range of questions for Congress:

- What is the role of Congress in the ACTA approval process? Will congressional activity regarding the ACTA extend beyond oversight? How would the ACTA affect congressional action in areas covered by the agreement?[79]
- How does protection and enforcement of IPR rank among other national priorities? Within the realm of combating counterfeiting and piracy, there also are questions about what forms of IPR infringements should be given priority in addressing. Rationales cited for the ACTA include the commercial losses sustained by legitimate businesses from IPR infringement, as well as health and safety concerns associated with counterfeit and pirated products. Among these numerous concerns, what forms of infringement should be given priority if resources are limited?
- What implications does the proposed ACTA have for the allocation of federal funds? Would implementation of the ACTA require the appropriation of federal funds, even though changes in federal laws are not necessarily required?
- What implications does the proposed ACTA have for the future of U.S. trade policy? Does the ACTA set a precedent for conducting future efforts on IPR protection and enforcement primarily or increasingly outside of multilateral frameworks? How might provisions in the ACTA coincide or conflict with negotiating objectives set by Congress in any future trade promotion authority given to the President? Would accession to the ACTA be a requirement for signatories to future U.S. regional and bilateral FTAs? And would a country's fulfillment of ACTA commitments affect USTR determinations for its Special 301 watch lists?
- Given the European Parliament's rejection of the ACTA, what are the prospects for the ACTA entering into force?

[78] For example, see letter from The Honorable Ron Wyden, U.S. Senator, to President Barack Obama, October 12, 2011, and letter from The Honorable Ron Wyden, U.S. Senator, to Mr. Harold Koh, Legal Advisor, U.S. Department of State, January 5, 2012.

[79] It should be noted that Congress may enact legislation that is inconsistent or in conflict with a U.S. international agreement and, if the legislation is signed by the President, the new statute would prevail as domestic law. At the same time, the U.S. international obligation would remain and the United States might need to address concerns raised by other agreement parties regarding the consistency of U.S. law with the agreement. See generally Restatement (Third) of the Foreign Relations Law of the United States §115(a) (1987).

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